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FISCAL IMPACT STATEMENT

LS 6774

BILL NUMBER: HB 1102

NOTE PREPARED: Mar 2, 2006

BILL AMENDED: Mar 1, 2006

SUBJECT: Local Government Matters.

FIRST AUTHOR: Rep. Ayres

FIRST SPONSOR: Sen. C Lawson

BILL STATUS: As Passed Senate

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill consists of the following provisions:

SBA Annual Reports: The bill specifies that the annual reports filed with the State Board of Accounts (SBA) by governmental units must show the business addresses of officers and employees. (Current law specifies only that the "addresses" must be included.)

Notice Publication Procedures: The bill provides that in the case of a notice that must be given by a municipality under the publication procedures statutes, a city or town must publish the required notice one time at least 10 days before the event or action.

County Auditor Notices: The bill provides that if a county auditor publishes a notice concerning a tax rate, tax levy, or budget of a political subdivision in the county and the notice contains an error or omission for which the county auditor is responsible: (1) the county auditor must publish (at the county auditor's expense) a notice containing the correct tax rate, tax levy, or budget as proposed or fixed by the political subdivision; (2) the Department of Local Government Finance may correct the error or omission at any time; and (3) the maximum amount to which the Department of Local Government Finance may increase the tax rate, tax levy, or budget is the amount originally fixed by the political subdivision and not the amount incorrectly published or omitted in the notice.

Property Tax Investment Deduction: The bill provides that certain specified facilities, such as golf courses, massage parlors, and racetracks, are not eligible for the "automatic abatement" for personal property. (Current law provides that these facilities are not eligible for the automatic abatement for real property.)

Recorder Fees: The bill amends the county recorder fee statute to provide that the cost of furnishing a page not larger than 8 ½ inches by fourteen inches is \$1, regardless of whether or not the page is produced by a photographic process. The bill allows a county legislative body to reduce the statutory fee charged by the county recorder for providing copies of records.

Local Budgets: The bill provides that a political subdivision has two weeks (rather than one week) to respond to the Department of Local Government Finance (DLGF) if the DLGF revises the political subdivision's budget, tax rate, or tax levy. The bill provides that in addition to any publication requirements, a civil taxing unit (other than a county, first class city, or second class city) must post printed notice of a petition requesting approval from the Department of Local Government Finance to incur bonded indebtedness in three prominent places in the civil taxing unit.

Local Rainy Day Fund Transfers: The bill allows transfers to the political subdivision's rainy day fund to be made at any time.

Township Borrowing Procedures: The bill provides that an appeal by a township board to borrow money to fund township assistance is made directly to the Department of Local Government Finance. The bill repeals provisions concerning appeals by townships to county commissioners and county councils for the borrowing of money for township assistance. The bill repeals provisions concerning county borrowing for township assistance. The bill repeals a provision authorizing the county fiscal body to levy property taxes and make an appropriation to advance money to a township for township assistance if the county commissioners determine that there will be insufficient money in the township assistance fund.

Northwestern Indiana Regional Planning Commission: The bill allows the Northwestern Indiana Regional Planning Commission to pay a claim or purchase order without obtaining a vendor's signature.

Local Fiscal Officer Mileage Reimbursement: It provides that a claim for reimbursement of mileage, meal, and lodging expenses to attend a State Board of Accounts conference may not be denied if the claim meets statutory requirements. This bill allows a municipality to adopt an ordinance providing for meal expense advances for a municipal employee who will be traveling on official business.

Ordinance Violation Payments: The bill increases from \$100 to \$250 the maximum amount that a violation's clerk may accept for payment of ordinance violations.

Local Public Works Projects: The bill provides that the amount that may be accepted shall be set by ordinance. The bill increases the cost threshold at which bids are required for certain political subdivisions under the local public works statute to \$50,000. The bill specifies that small towns and certain other political subdivisions can use the same process that third class cities and large towns use involving requests for quotes when a public work project is estimated to cost at least \$25,000 and less than \$50,000.

Municipal Matters: The bill eliminates the requirement that a city legislative body hold its first regular meeting of the year at 7:30 p.m. on a Monday. The bill establishes a deadline of September 30 for a municipality to address property tax and budget matters and to set employee compensation for the following year.

Northwestern Indiana Regional Planning Commission: The bill provides that, beginning July 1, 2007, the trustee of each township in Lake, Porter, and LaPorte counties shall appoint a member to the Northwestern Indiana Regional Planning Commission if the township: (1) has a population of at least 8,000; and (2) does

not contain a municipality.

Northwest Indiana Transportation Study Commission: The bill reestablishes the Northwest Indiana Transportation Study Commission. (The existing Northwest Indiana Transportation Study Commission expired November 2, 2005.)

Municipal Sewage Works: The bill authorizes a municipality to establish a sewer improvement and extension fund and impose assessments to finance the construction, repair, or improvement of a sewage works. The bill provides that assessments are imposed and collected in the same manner as Barrett Law assessments.

Lake County and Porter County Regional Bus Authority: The bill adds the following two members to the board of the regional bus authority serving Lake County and Porter County: (1) One member appointed by the township trustee of the township containing the towns of Chesterton, Porter, Burns Harbor, and Dune Acres. (2) One member appointed jointly by the township trustees of Washington, Morgan, Pleasant, Boone, Union, Porter, Jackson, Liberty, and Pine townships in Porter County. The bill deletes a provision specifying that members of the board from Porter County may not vote on certain issues unless Porter County makes payments to the authority.

Newspaper Notices: The bill changes the definition of "newspaper" for purposes of the statutes concerning publication of notices.

Township Board Salaries: The bill specifies that in a year in which there is not an election of members to the township board, the township board may by unanimous vote reduce the salaries of the members of the township board by any amount.

City Officer and Employee Compensation: The bill provides that compensation of city officers and employees may be increased by the mayor during the budget year for which the compensation has been fixed. (Current law allows the mayor to decrease compensation.)

Interlocal Cooperation Agreement Related to Economic Development Projects: The bill specifies certain actions that entities may take after entering into an interlocal cooperation agreement related to economic development projects.

Certain Towns Converting to City: The bill provides that in the case of a town that has a population of less than 10,000 and that changes into a city, the ordinance dividing the town into city legislative body districts may provide that: (1) the city shall be divided into three districts; and (2) the legislative body of the city is composed of three members elected from the districts and two at-large members.

Other Changes: The bill makes other changes concerning local government.

Effective Date: Upon passage; January 1, 2006 (retroactive); July 1, 2006.

Explanation of State Expenditures: *County Auditor Notices:* Currently, if a county auditor publishes a notice containing an error or omission related to a tax rate, tax levy, or budget of a political subdivision in the county, the taxing unit has ten days from the date of publication in which to file a statement with the state Department of Local Government Finance (DLGF) to initiate an appeal. This provision will allow the DLGF to correct such an error or omission at any time. Removing the ten-day limit could potentially lead to the initiation of more

appeals and increase the administrative work load of the DLGF. The DLGF should be able to implement this provision given its existing level of resources.

Northwest Indiana Transportation Study Commission: The bill would reestablish the 14-member Northwest Indiana Transportation Study Commission, which would consist of 12 legislators and two lay members. The Commission would operate under the policies governing study committees adopted by the Legislative Council. Legislative Council resolutions in the past have established budgets for interim study committees in the amount of \$9,500 per interim for committees with fewer than 16 members. The fund affected is the state General Fund.

The Commission would be charged to do the following:

- (1) monitor the development of commuter transportation and rail service in the Lowell-Chicago and Valparaiso-Chicago corridors;
- (2) study all aspects of regional mass transportation and road and highway needs in Lake County, Porter County, LaPorte County, St. Joseph County, and Elkhart County;
- (3) study northwest Indiana transportation, infrastructure, and economic development issues; and
- (4) study other topics as assigned by the Legislative Council.

The Commission would submit in an electronic format a final report of the Commission's findings and recommendations to the Legislative Council before November 1, 2009. The Commission would expire November 2, 2009.

Interlocal Cooperation Agreement Related to Economic Development Projects: State expenditures could potentially be impacted under future interlocal agreements that would be allowed, under this provision, for certain economic development projects. Under current law, state entities may enter into interlocal agreements with federal, state, or local governmental entities and other state entities outside of Indiana. See *Explanation of Local Expenditures*.

Explanation of State Revenues: *Ordinance Violation Payments:* This provision could result in the loss of revenue to state funds of \$36,000 to \$74,000.

During CY 2004, 21 counties with trial courts and 28 city and town courts reported having ordinance violation's bureaus. Assuming that no new ordinance violation's bureaus are established because of this new language, between 400 and 2,000 cases that were disposed through either bench dispositions or guilty plea admissions in 2004 could be disposed in local ordinance bureaus.

Local ordinance violations can be disposed when filed in either trial courts or city or town courts. The *2004 Judicial Report* indicates the following for dispositions of local ordinance violations in trial courts and city and town courts.

Counties and Municipalities in Which Local Ordinance Violations Cases Were Disposed by Violations Bureaus in CY 2004			
	Number with Local Ordinance Violations Bureaus	Cases Disposed in Local Ordinance Violations Bureaus	Cases Disposed by Either Bench Disposition or by Guilty Plea or Admission
Trial Courts	21	33,332	2,048
City and Town Courts	28	6,600	1,999

Cases disposed through local ordinance violations bureaus are not subject to the following fees under IC 33-37-4-2.

<u>Fees Deposited in the State Funds</u>		
<u>General Fund</u>	<u>Trial Courts</u>	<u>City and Town Courts</u>
Infraction or Ordinance Violations Fee	\$49	\$38.50
Public Defense Administration Fee	\$3	\$3
Judicial Insurance Adjustment Fee	\$1	\$1
Judicial Salaries Fee	\$15	\$15
DNA Sample Processing Fee	\$1	\$1
Court Administration Fee	<u>\$2</u>	<u>\$2</u>
<i>Total in State General Fund</i>	<i>\$71</i>	<i>\$61</i>
<u>State User Fee Fund:</u>		
Automated Record Keeping Fee	<u>\$7</u>	<u>\$7</u>
Total Fees	<u>\$78</u>	<u>\$68</u>

Consequently, a revenue loss would occur to both the state General Fund and the State User Fee Fund if more cases are exempt from these fees. The loss depends on the number of courts that use local ordinance violation's bureaus for disposing cases and how many cases that are now disposed through court appearances would now be exempt because the civil penalty is greater than \$100 and less than \$250. These are both unknown factors.

For this analysis, it is assumed that:

1. no new local ordinance violation's bureaus will be established; and
2. that between 12.5% and 25% of these cases disposed in 2004 through either a bench disposition or a guilty plea or admission could instead be disposed in a local ordinance violation's bureau.

If more local ordinance violation's bureaus are established, then a greater revenue loss could occur.

Based on this assumption, state revenue loss is calculated to be between \$36,000 and \$74,000.

Estimated Revenue Loss if 12.5% to 25% of Cases are Shifted to Local Ordinance Violations Bureaus				
<u>Type of Court</u>	<u>Potential Number of Cases</u>	<u>Total Fee</u>	<u>Percent of Cases</u>	
			<u>at 25%</u>	<u>at 50%</u>
Trial Courts	2048	\$78	\$19,968	\$39,936
City and Town Courts	1999	\$68	\$16,992	\$33,983
Total Revenue Loss			\$36,960	\$73,920

Explanation of Local Expenditures: *Notice Publication Procedures:* Currently, the notice publication procedures for cities and towns vary depending on the event that is being published. Provisions in this bill set a uniform requirement of providing notice for an event or action one time at least 10 days before that event or action. The fiscal impact of these provisions will depend on how current publication procedures differ from the uniform requirement.

County Auditor Notices: In the event that a county auditor publishes a notice containing an error or omission related to a tax rate, levy, or budget of a taxing unit in the county, the bill would require the county to publish, at county expense, a corrected notice containing the rate, levy, or budget as proposed or fixed by the taxing unit. This bill also requires the county to hold harmless the political subdivision from any loss of revenue that results from certain publication error or omissions. County expenses could potentially increase under this provision.

Northwestern Indiana Regional Planning Commission: Requiring the Northwestern Indiana Regional Planning Commission to follow the same general claim payment policies as the state could affect local expenditures if following state policies were to have an impact on the timing of the payment which could then have an impact on the expense. The impact to local expenditures is indeterminable and will depend on existing local policies.

Local Fiscal Officer Mileage Reimbursement: This provision of the bill is intended to clarify that mileage shall be reimbursed for attending conferences of the State Board of Accounts. The fiscal impact is dependent on the number of local units that have interpreted the reimbursement to be optional, how often reimbursements are required to be paid, and the amount of such reimbursements.

Public Works Projects: By increasing the cost threshold of public works projects that do not require political subdivisions to receive bids or quotes, this provision has the potential of reducing project costs. The potential reduction in cost could result from a political subdivision's decision to purchase its own materials and have its own workforce carry out a project using its own or leased equipment. This provision affects public works projects costing less than \$50,000 in certain political subdivision's as specified in the bill. (Under current law, the threshold for these subdivisions is \$25,000.)

Local Rainy Day Fund Transfers: Under the bill, a political subdivision would be able to transfer money to their rainy day funds at any time during the subdivision's fiscal year. Under current law, transfers may only be made after the last day of the fiscal year and before March 1 of the following calendar year. The impact of this provision to subdivision expenditures would depend on local action.

Municipal Matters: Under current law, the city executive must fix the budget, levy, and compensation of each appointive officer, deputy, and other employee of the city. Compensation must be fixed before September 20 for a third class city and September 30 for a second class city. The proposal changes this deadline to September 30. The bill also provides that the compensation of a town officer must be fixed before October 1 of each year for the ensuing budget year. Under current law, no deadline is specified. The above provisions should have no

significant fiscal impact.

Northwestern Indiana Regional Planning Commission: The provision would increase local expenditures. The exact amount of additional expenditures would depend on the number of new members appointed to the Commission. Under current law, members of the Commission serve without salary but may be reimbursed for expenses incurred in the performance of their duties.

Lake County and Porter County Regional Bus Authority: The bill adds two members to the Regional Bus Authority of Lake and Porter Counties. The provision will increase expenditures from Lake and Porter County General Funds. Under current law, members are allowed mileage and duty expenses. (Lake County members are allowed to receive mileage reimbursement under state employee travel guidelines or as designated under county ordinance.)

Township Board Salaries: Were a township board to elect to reduce board salaries, there would be a savings to township funds, which could be reallocated for other approved uses.

City Officer and Employee Compensation: Under current law, a city executive each year sets compensation of city officials and employees, subject to the approval of the city legislative body. Current law also allows either the city legislative body or the executive to reduce compensation after the budget year starts, however, they cannot raise compensation. The bill would allow a city executive to increase as well as reduce employee compensation during the budget year. The impact of this provision to local expenditures would depend on executive action.

Interlocal Cooperation Agreement Related to Economic Development Projects: Under this provision, a federal, state, or local unit of government would be able to transfer: appropriated funds (derived from any source), property, or provide personal services/facilities to one or more governmental entities in an interlocal agreement, a department of redevelopment, a department of metropolitan development, a port authority, or an airport authority, a regional development authority, or a regional transportation authority.

Transfers listed above would be allowed under this provision for economic development projects including projects currently allowed under County Economic Development Income Tax (CEDIT) law, transportation services/infrastructure, or hotel construction/development.

Current law allows for a governmental entity in an interlocal agreement to appropriate funds and provide personnel, services, and facilities to carry out the agreement.

The impact of this provision to local expenditures would depend on local action.

Explanation of Local Revenues: *Ordinance Violation Payments* -- This provision could result in a revenue loss of between \$34,000 and \$68,000.

Four fees that are charged for local ordinance violations would not be paid if a case is disposed through a local ordinance violation's bureau. A portion of the ordinance violation's fee is deposited in the local general fund, while three fees are deposited in dedicated funds in counties and municipalities:

<u>Fees Deposited in the County and Municipal Funds</u>		
<u>Local General Fund</u>	<u>Trial Courts</u>	<u>City/Town Courts</u>
Infraction or Ordinance Violations Fee	\$21	\$31.50
<u>Dedicated Funds:</u>		
Law Enforcement Continuing Education Fee	\$3	\$3
Jury Fee	\$2	\$2
Document Storage Fee	\$2	\$2
<i>Total in All County and Municipal Funds</i>	<u><u>\$28</u></u>	<u><u>\$39</u></u>

Using the same assumptions used for calculating the state revenue loss, the following table shows that the potential lost revenue for counties and municipalities would be between \$17,000 and \$34,000.

<u>Estimated Revenue Loss if 12.5% to 25% of Cases are Shifted to Local Ordinance Violations Bureaus</u>				
<u>Type of Court</u>	<u>Potential Number of Cases</u>	<u>Total Fee</u>	<u>Percent of Cases</u>	
			<u>at 12.5%</u>	<u>at 25%</u>
Trial Courts	2,048	\$28	\$7,168	\$14,336
City and Town Courts	1999	\$39	\$9,745	\$19,490
<i>Total Revenue Loss</i>			<u><u>\$16,913</u></u>	<u><u>\$33,827</u></u>

County Auditor Notices: Removing the ten-day limit on initiating an appeal with the DLGF should make it easier for a taxing unit to correct errors and omissions in notices related to the tax rate, tax levy, or budget of a political subdivision.

Municipal Sewage Works: Under the bill, a municipality would be able to establish a sewer improvement and extension fund. The municipality would be able to deposit into the fund special assessments, appropriations from the municipal general fund, and from taxes levied for the construction, repair, extension or improvement of a sewage works. The bill provides that an assessment must be imposed and collected in the same manner as provided in street and sewer improvement statutes. Assessment payment periods would not be allowed to exceed 20 years. The impact of this bill to local revenues would be dependent on local action.

Local Budgets: Under existing law, after the DLGF proposes adjustments to a unit's levy or tax rate, the unit has one week to specify how the unit will *make* the reductions in the amount budgeted by fund. The DLGF must then make the reductions as specified by the unit. The bill provides that (1) the unit has two weeks to respond and (2) the DLGF would only be required to *consider* the taxing unit's specifications. The DLGF would then deliver a final decision to the taxing unit. The response may include budget reductions, reallocation of levies, a revision in the amount of miscellaneous revenues, and further review of any other item which the DLGF might be in error. This provision could result in more latitude for local units in responding to budget reductions proposed by the DLGF. The specific impact is indeterminable.

Township Borrowing Procedures: This provision changes township borrowing procedures for the Poor Relief program. Under current law, if a township is required to make an emergency loan for purposes other than Poor Relief, the township board must approve the loan, publish notice of the loan approval, and then obtain the approval of the DLGF. However, for situations involving Poor Relief, the township must request of the county to borrow or provide the money. If the county refuses, the township must go before the DLGF. This bill

removes the county from the borrowing process so that borrowing for Poor Relief is done in the same manner as other township borrowing.

Property Tax Investment Deduction: Under current law, the increase in AV from certain real and personal property additions may qualify for property tax deductions over a period of three years if the property owner creates or retains jobs because of the project. The deduction applies to property that is first assessed on March 1, 2006, 2007, 2008, or 2009.

This bill would exclude personal property located in the following facilities: golf courses, country clubs, massage parlors, tennis clubs, racetracks, package liquor stores, residential property unless it is low income or in a residentially distressed area, or facilities for skating, racquet sport, hot tubs, suntans, retail food and beverage sales, automobile sales or service, or other retail facilities. These facilities may not receive real property abatements under current law. The change would be retroactive and would apply to the March 1, 2006 assessment date.

Recorder Fees: The bill would give county legislative bodies the option to adopt an ordinance reducing recorder fees charged for copies of records. The impact of this provision on local revenues would depend on local action. Ordinances would have to specify the amount of fee reduction.

State Agencies Affected: State Governmental Agencies; Department of Local Government Finance; Legislative Services Agency; Legislative Council.

Local Agencies Affected: Counties, cities, towns; Northwest Indiana Regional Planning Commission; Municipal utilities; Northwestern Indiana Regional Planning Commission; Lake County and Porter County Regional Bus Authority; township boards.

Information Sources: Bob Harris, DLGF; *Indiana Judicial Report 2004*.

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